

CARL MINA

MARKETING & TRANSPORTATION ENGINEERING

Fax Cover Letter

___ Routine

Date 4/16/02

___ Urgent (Call Ext. # ___)

Please deliver the following pages to:

cc:

Name

VERONICA ANGULO / V.A. STEVENS

Company/Firm

CEQ

City & State

WASHINGTON, D.C.

Fax No.

(202) 586-2999

From:

Name

DAVE FOULKE

Marathon Ashland Petroleum LLC - Marketing & Transportation Engineering

539 South Main Street

Findlay, OH 45840

Fax No. (419) 421-2509

We are transmitting 5 pages, including this cover page.

If transmission is not complete, please call (419) 421- 3056

The attached information is intended ONLY for the named addressee. It may contain confidential or privileged communications. If you receive this fax in error, you are requested to destroy it and to contact the sender at the above number.

Comments:

ATTACHED ARE THE REQUESTED MATERIALS
REGARDING THE OHIO RIVER PIPE LINE "KENDUA,
WV TO COLUMBUS, OH PIPELINE PROJECT".
PLEASE CALL IF YOU HAVE ANY QUESTIONS.

Jane
(419) 421-3056

Ohio River Pipe Line LLC Kenova, West Virginia to Columbus, Ohio Pipeline Project

Project Description

Ohio River Pipe Line LLC (ORPL) proposes to install, own, and operate a 149-mile petroleum pipeline connecting an existing marine terminal located in Kenova, West Virginia (adjacent to a refinery located in Catlettsburg, Kentucky), to the Central Ohio market via an existing terminal network in Columbus, Ohio. The pipeline will be operated by ORPL's affiliate, Marathon Ashland Pipe Line LLC (MAPL). The proposed 14-inch diameter pipeline is designed to carry approximately 80,000 barrels per day of refined petroleum, with initial volumes estimated to be approximately 50,000 barrels per day. The ORPL pipeline project will provide increased supply flexibility, and ensure stability and overall lower cost of supply. The pipeline will be a common carrier and will be available to all shippers on a non-discriminatory basis. All shipments will be done pursuant to a Federal Energy Regulatory Commission approved tariff.

Project Location

From Kenova, West Virginia, the proposed pipeline will cross the Ohio River near the Village of South Point, Ohio, and continue north through Lawrence, Gallia, Jackson, Vinton, Hocking, Fairfield, Pickaway, and Franklin counties before terminating in Columbus, Ohio. The general location of the proposed pipeline is depicted on a route map provided as Attachment A.

Agency Coordination

The project will cross jurisdictional waters of the United States, and as such, the United States Army Corps of Engineers (USACE) is the lead agency for project permitting. The Clean Water Act Section 404 Individual Permit, under review by the USACE, is one of two primary permits required to authorize the project. The second important permit comes from the Ohio Environmental Protection Agency, which must issue a Clean Water Act Section 401 Water Quality Certification. Applications for these permits were submitted to the agencies in September 2001. Following Public Hearings in November 2001 ORPL provided responses to all of the issues identified in testimony taken at the hearings and in letters sent to the agencies. A comprehensive Alternatives Analysis was also prepared to analyze the route alternatives proposed by the public as well as several options ORPL evaluated in planning the project.

Other agencies that ORPL has been in coordination with during the project development and, who also have provided guidance and comments on the project, both to ORPL and to the USACE as the lead agency, include the Ohio Department of Natural Resources, the United States Environmental Protection Agency, the United States Fish and Wildlife Service, the Ohio Historic Preservation Office, the West Virginia Division of Culture and History, and the United States Department of Transportation's Office of Pipeline Safety.

At this point in the process, none of the preceding agencies have any outstanding objections to the project. Numerous county, township, and local authorities have also been involved in various project permit reviews specific to their jurisdiction.

The USACE recently has requested assistance from the Office of Pipeline Safety (OPS) relative to the safety of this proposed new pipeline. The OPS still needs to provide the USACE with its comments relating to safety.

Project Timing

Motorists and businesses in the Midwest experienced gasoline price spikes during the summers of 2000 and 2001. These increases were the result of a shortage of transportation fuels in the region, due in part to a lack of pipeline infrastructure that is required to bring the petroleum to the market where it is needed. The supply and demand balance has shown further signs of deterioration in the spring of 2002, and analysts predict that shortages are becoming more likely as rising demands are placed on the already fragile petroleum supply network. If the necessary permits are issued in time to commence project construction in the summer of 2002, the pipeline will be operational in time for the driving season of 2003, thus helping to mitigate further shortages and price spikes. The pipeline will provide a new source of supply into the Central Ohio region, thus providing increased supply flexibility and ensuring stability and overall lower cost of supply for consumers and businesses.

Project Need

The Central Ohio region is the fastest growing region in Ohio and is one of the fastest growing areas in the Midwest. Over 2.2 million people reside in Central Ohio and tens of millions more travel through it every year. Based on statistics from the United States Department of Labor, Department of Energy, and Department of Transportation among others, the petroleum demand growth rate in Central Ohio is conservatively projected to be 2.9 percent per year for the next ten years. The travel growth rate (rate for total miles driven by U.S. motorists) is double the rate for the rest of the state and is higher than the national rate.

The State of Ohio is a net importer of refined petroleum. The current refinery capacity in Ohio is 520,000 barrels per day, with some of this production being exported out of state (e.g., to Michigan and Indiana). The present demand within the state is in excess of 650,000 barrels per day. Shipment of refined products from northwest Ohio refiners to southern Michigan further exacerbates the shortage. The majority of this shortfall is imported into the region from the Gulf Coast.

The supply problems in Ohio are compounded by the fact that Ohio's existing petroleum pipeline infrastructure was built decades ago around refining facilities and population centers in the northern region of the state. The population of Ohio has indeed shifted over time. As last year's census confirms, Columbus and Central Ohio are now the most populated and fastest growing area in the state. Three petroleum pipelines currently serve

the Central Ohio region. At present, there are occasions when this infrastructure is at or near capacity for a period of time. As forecasted demand continues to grow, this situation will become more frequent. If any one of the three existing lines is not available for transportation due to planned or unplanned shutdowns, the remaining two pipelines are not adequate to address the current needs of the Central Ohio region. As the Central Ohio petroleum demand continues to grow over time, the existing pipeline infrastructure will be inadequate even if all three pipelines continually operate at capacity.

Some of the refineries that serve as sources of existing supply for the Central Ohio region will inevitably discontinue operations. Due to increasingly stringent environmental regulations, such as the Phase II regulations under the federal Clean Air Act that take effect in 2004 and require the "desulfurization" of fuels, large capital investments are needed to meet the new requirements. It is anticipated that many smaller refineries may not be able to justify the necessary economic investment. Since 1981, over 170 refineries have ceased operation in the United States due to economic obsolescence or for other reasons. These refinery closings and anticipated future closings further contribute to the need for the proposed pipeline. The four refineries in Ohio are "smaller" or "mid-size" refineries, each processing less than 200,000 barrels per day. All of these refineries are at risk, making the Midwest generally, and Ohio specifically, more dependent on imported refined petroleum from out of state. The proposed pipeline will connect the Marathon Ashland refinery in Catlettsburg, Kentucky, located on the Ohio/West Virginia border, directly to the Central Ohio region. The only other refinery of this size within 200 miles of Central Ohio is located in Whiting, Indiana, which serves a growing Chicago, Illinois market. In short, the proposed pipeline will provide the Central Ohio region with a direct, reliable, and more exclusive supply from the largest and closest, unconnected refinery.

As was illustrated by the price spikes in the Midwest during the summers of 2000 and 2001, a disruption in the source of supply or in the ability to transport petroleum from the source of supply to the market will result in increased fuel costs to the consumer. In effect, geographic markets are forced to bid against each other for available petroleum. Because Central Ohio is near the end of all three major pipeline networks (from the East Coast, the Gulf Coast, and the Chicago area), as well as the Ohio River barging system, it is in a more vulnerable position if such bidding occurs. Inevitably, the metropolitan areas closest to the origin of the supply lines will be served first. Meeting the project purpose will allow the proposed pipeline to reduce the frequency and severity of price increases in Central Ohio during such supply disruption periods by increasing flexibility of supply, thereby helping to meet the refined petroleum needs documented for the Central Ohio region.

Given the projected petroleum demand and growth rate, the current refinery capacity shortfall, and the anticipated refinery closings in the Central Ohio region, the ORPL pipeline project will fulfill a clear need for additional petroleum products in the Central Ohio region.

Attachment A

Ohio River Pipe Line LLC Kenova, West Virginia to Columbus, Ohio Pipeline Project Project Route Map

